



**Southwest Power Pool
REGIONAL STATE COMMITTEE**

May 28, 2008

Teleconference

• M I N U T E S •

Administrative Items:

Members in attendance were:

- Julie Parsley, Public Utility Commission of Texas (PUCT)
- Jeff Cloud, Oklahoma Corporation Commission (OCC)
- Jeff Davis, Missouri Public Service Commission (MPSC)
- Mike Moffet, Kansas Corporation Commission (KCC)
- Colette Honorable, Arkansas Public Service Commission (APSC)

Dr. Mike Proctor called the meeting to order at 2:35 p.m. during the Cost Allocation Working Group (CAWG) meeting and explained that those in attendance would be counted present for the RSC teleconference with the CAWG attendance sheet used as a record (CAWG Attendance – Attachment 1). Cheryl Robertson (SPP) called roll and a quorum was declared.

Others in attendance via phone were:

- Ed Stoneburg, Trans-Elect Dev. Co.
- Joe Dudak, ITC Great Plains
- Sam Loudenslager, Arkansas Public Service Commission
- Mike Palmer, Empire District
- Gary Roulet, Western Farmers
- Walt Shumate, Edison Electric Institute
- Harry Silton, Noble Power
- Christine Wright, Public Utility Commission of Texas
- Robert Pennybaker, American Electric Power
- Bob Tumilty, American Electric Power
- Jessica Collins, Xcel Energy
- Denise Hill, Horizon Wind

Dr. Proctor explained that this was an informational meeting regarding cost allocation for designated wind resources and that no action was expected to be taken. He did ask for a consensus on the policy concept and an agreement to move forward. It is hoped that the cost allocation policy proposal for wind resources can be approved at a meeting held in conjunction with the MARC meeting on June 16 in order that tariff language can be written and presented for approval at the October 2008 RSC meeting.

Dr. Proctor then reviewed the two proposals under consideration (Background – Attachment 2). One is a modified compromise and the second is a proposal prepared by the Transmission Owners. The two main differences are: 1) non-sink zone costs and 2) how limits are determined. Waivers will continue to be allowed in both proposals. The CAWG recommends the following proposal:

Regional State Committee
May 28, 2008

- **Safe Harbor**
 - Uses Requested Transmission Capacity (e.g., name plate capacity)
 - Applies to all costs assigned to transmission service request
- **Sink Zone Costs**
 - 1/3 Postage Stamp
 - 2/3 MW-Mile
- **Non-Sink Zone Costs**
 - 2/3 Postage Stamp
 - 1/3 Direct Assignment
- **Limits**
 - Wind DR MW of Transmission Service \leq 20% (Forecasted Summer Peak)
 - For the capacity limit of 125% of load, a designated wind resource's capacity should be evaluated at its accredited capacity (e.g., 10% of name plate capacity).
- **Waivers**
 - Waivers will be considered
- **Caps**
 - None

The meeting was then opened for questions. One question raised concerning the assignment of costs after the "Limits" had been reached will be addressed by the CAWG and included in the final recommendation. Commissioner Moffet urged the group to move forward as quickly as possible and encouraged prompt implementation. Chairman Honorable stated that Arkansas leaned toward a more direct assignment of costs, but agreed to move forward with the understanding that this arrangement will be temporary and will be revisited at a later date. It was agreed that RSC will vote on the CAWG recommendation for cost allocation for wind resources concept in June and finalize tariff language this summer through the SPP process: Regional Tariff Working Group, Markets and Operations Policy Committee and then to the Board of Directors for approval no later than the October meeting. President Parsley joined the meeting in progress having been detained by another conflict. She agreed with the group consensus and commended the work of the committee and staff.

With no further business, the meeting was adjourned.

Respectfully Submitted,

Les Dillahunty

COST ALLOCATION WORKING GROUP

AEP Offices

May 28, 2008

	NAME	COMPANY
1	Keith Innes	SPP
2	Kevin Lacey	GRDA
3	Dennis Reed	Westar
4	Jim Hotovy	NPPD
5	Les Dillehuntz	SPP
6	Charles Cates	SPP
7	Bernie Lili	Xcel
8	RICK WALKER	FOR THE WIND COALITION
9	TIM SOLES	OXY
10	GENE ANDERSON	OMPA
11	Terri Gallup	AEP
12	Jeff Momme	AEP
13	Manny Rahman	AEP
14	Kelly Harrison	Westar
15	Jafca Davidson	OCC
16	Evad Wilcox	AEP
17	Mike Proctor	MoPSC
18	Larry Holloway	KCC
19	Charles Locke	KCCPR
20	STEVE FERRY	SEPC
21	Kip Fox	AEP
22	BARY WARREN	EMPIRE
23	DAVID L. KAYS	OGIE
24	SHAH HOSSAIN	WRGS
25	Brett Leopold	ITC Great Plains
26	Robert Shields	AEECC
27	Adam McKinnie	MO PSC
28	Greg Meyer	MoPSC
29	Tom DeBaun	KCC
30	Pat Mosier	ARK PSC
31	TIM SOLES	OXY
32	Christine Wright	PUCT
33	Bob Tumilty	AEP
34	Sam Loudenslager	APSC
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MEMORANDUM

TO: SPP RSC
FROM: Mike Proctor
RE: Result of April 30 CAWG Meeting
DATE: May 5, 1008

At the April 30 CAWG meeting, SPP staff presented revised results for the four cost allocation proposals: 1) Compromise, 2) TO; 3) TDU and 4) OGE.

There were four issues needed to determine the recommendation on cost allocation for designated wind resources to the RSC.

1. Whether to count full transmission capacity requested (e.g., 100% of name plate capacity for wind turbine) or accredited capacity for meeting peak demand (e.g., 10% of name plate capacity for wind turbine) in the restriction for Base Plan Funding to total generation capacity of less than or equal to 125% of peak load.
2. Whether the restriction on wind capacity to be included in the cost allocation for designated wind resources should be 20% of peak demand in the first year that the full amount of the transmission service requests can be met, or 20% of the name plate rating of the generation capacity designated as resources, including the name plate capacity of the wind generation.
3. Whether to allocate non-sink zone costs: a) 1/2 postage stamp / 1/2 direct assignment; or b) 2/3 postage stamp / 1/3 direct assignment.
4. Whether or not to include a cap of 1/3 of total cost assigned to a request for a designated wind resource on directly assigned costs.

The results of the CAWG meeting are:

1. The accredited capacity for wind should be used in determining any violations of the 125% of peak demand limit.
2. The restriction on designated wind resources included in the proposed cost allocation should be 20% of peak demand.
3. The allocation of non-sink zone costs should be 2/3 postage stamp and 1/3 direct assignment.
4. A cap should not be included in the tariff.

I am available to discuss this matter with the RSC by teleconference if that is the desire of the RSC. I can update the slides from the April RSC meeting if the RSC wants to see the recommendation in total.

Thanks,

Mike Proctor

Cost Allocation of Designated Wind Resources

To SPP RSC

May 28, 2008

Updates from April CAWG Meeting

Remaining Two Proposals

Modified Compromise

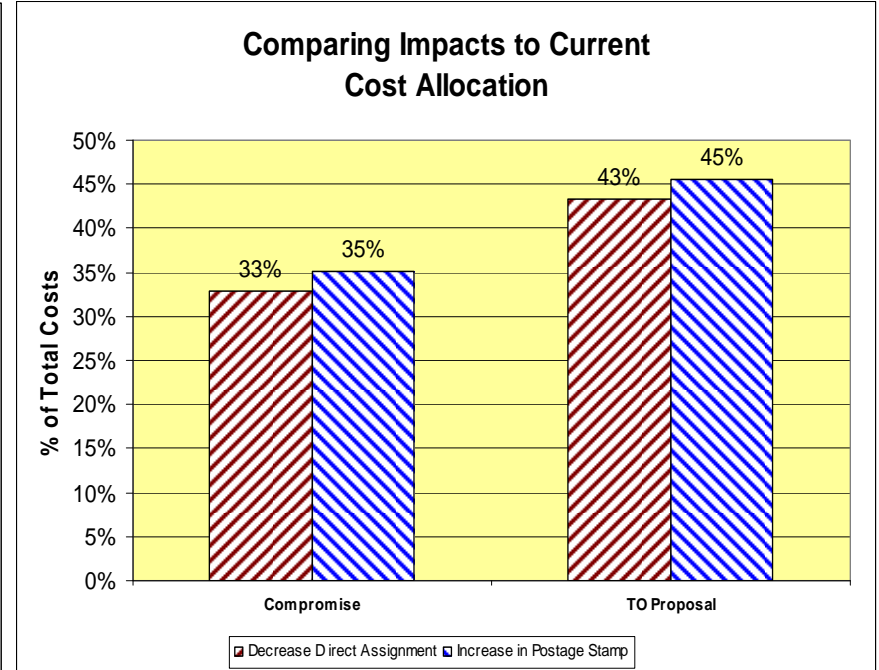
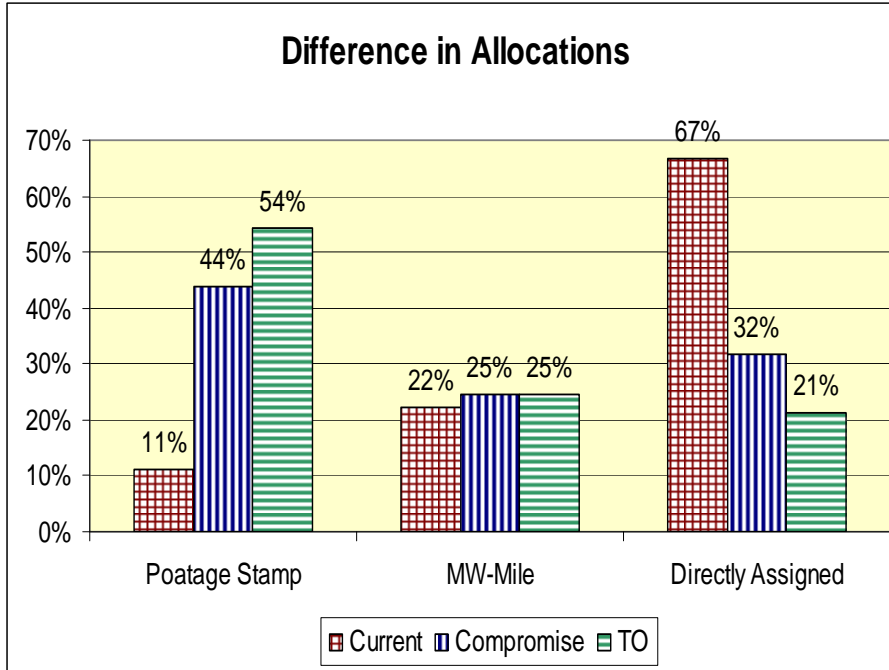
- **Safe Harbor**
 - Uses Requested Transmission Capacity
 - Applies to all costs assigned to transmission service request
- **Sink Zone Costs**
 - 1/3 Postage Stamp
 - 2/3 MW-Mile
- **Non-Sink Zone Costs**
 - 1/2 Postage Stamp
 - 1/2 Direct Assignment
- **Limits**
 - Wind DR MW of Transmission Service $\leq 20\%$ (Forecasted Summer Peak)
- **Waivers**
 - Waivers will be considered
- **Caps**
 - **Possibly** a limit of 1/3 total cost directly assigned to requestor, with the excess going to the postage stamp rate.

Transmission Owners

- **Safe Harbor**
 - Uses Requested Transmission Capacity
 - Applies to all costs assigned to transmission service request
- **Sink Zone Costs**
 - 1/3 Postage Stamp
 - 2/3 MW-Mile
- **Non-Sink Zone Costs**
 - 2/3 Postage Stamp
 - 1/3 Direct Assignment
- **Limits**
 - Wind DR MW of Transmission Service $\leq 20\%$ (Net Capacity of Designated Resources)
- **Waivers**
 - No Waivers will be considered
- **Caps**
 - No limits on percent of cost that can be directly assigned to the requestor

Implications from the Two Proposals

The impacts shown below are for a specific example that may or may not be representative of a “typical” request for Designated Wind Resource



This example illustrates:

1. Using Requested Transmission Capacity significantly reduces costs that would otherwise be directly assigned to the requestor.
2. The difference between the Compromise proposal and the TO proposal is costs going into the postage stamp rate and costs that are directly assigned to the requestor.

Results of April CAWG

- **Safe Harbor**
 - Uses Requested Transmission Capacity (e.g., name plate capacity)
 - Applies to all costs assigned to transmission service request
- **Sink Zone Costs**
 - 1/3 Postage Stamp
 - 2/3 MW-Mile
- **Non-Sink Zone Costs**
 - 2/3 Postage Stamp
 - 1/3 Direct Assignment
- **Limits**
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- **Waivers**
 - Waivers will be considered
- **Caps**
 - None